

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 01-0092P**

Individual Income Tax  
For the Calendar Year 2000

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**ISSUE**

**I. Tax Administration – Penalty**

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

The taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

The taxpayer timely filed his Indiana individual income tax return for the year 2000 with a balance due of \$3,950. This represents seventy percent (70%) of the taxpayer's total tax liability for the year. The taxpayer submitted no estimated tax payments for this year and was assessed an underpayment penalty.

**DISCUSSION**

The taxpayer protests the assessment of the underpayment penalty arguing that the large balance of tax due paid with his return resulted from a significant increase in investment income for the year 2000. The taxpayer further states that it would have been impossible to estimate the amount of investment income due to fluctuations in the stock market. The Department notes that all investors must cope with the uncertainties of the market place in their tax planning.

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The statute provides methods by which a taxpayer may avoid the imposition of an underpayment penalty. IC 6-3-4-4.1(c) states in pertinent part:

...no such declaration (of estimated tax) shall be required if the estimated tax can reasonably be expected to be less than four hundred dollars (\$400)...

However, of the taxpayer's \$5,631 total tax liability, only \$1,681 was satisfied by tax withheld. The amount of estimated tax that should have been reasonably calculated and remitted is well in excess of \$400.

IC 6-3-4-4.1(b) references Section 6654 of the Internal Revenue Code and incorporates its relevant portions into the Indiana statute. This section of the federal code at subsection (d) provides that an individual may avoid the underpayment penalty by making estimated payments that equal one hundred percent (100%) of the tax shown on the individual's return for the preceding year. However, as previously stated, the taxpayer made no estimated payments for tax year 2000; hence, the protection afforded by this section of the federal code is not available to the taxpayer.

Furthermore, the taxpayer did make estimated payments for prior years and received an assessment for the underpayment of estimated tax for tax year 1999. Based upon this information, the taxpayer should have been aware of his obligation to remit estimated tax payments to the Department.

The Department finds the penalty to be appropriate.

### **FINDING**

The taxpayer's protest is denied.